

THE BALDWIN COMPANY

Cincinnati, Ohio
April 1, 1946

ANNUAL REPORT TO STOCKHOLDERS
EIGHTY-THIRD YEAR

To the Stockholders of The Baldwin Company:

Sales of pianos for the year 1945 amounted to \$4,028,510.48.

After deduction of depreciation charges amounting to \$45,161.55, and provision for Federal Income Taxes amounting to \$270,000.00, net profit from all sources for the year 1945 was \$394,667.75, compared with \$157,090.54 reported for the year 1944.

In keeping with our policy previously established, the volume of war-contract business during the year 1945 is not included in sales reported above. However, earnings from war-contract operations are included in the total net profits reported.

In addition to the earnings reported for the year 1945, there has been added directly to Surplus, the sum of \$140,087.63, which is the net profit after provision for Federal Income Taxes, arising from settlements made and payments received in 1945 on war-contracts completed or terminated in prior years.

Consolidated Balance Sheets as of December 31, 1945, and 1944, and Analysis of Surplus Accounts for the year 1945 are appended hereto. On December 31, 1945, Total Current Assets amounted to \$6,273,770.92 and Total Current Liabilities to \$754,195.33, which is a ratio of 8.3 to 1.

Work on all our war-contracts was stopped by direction of the respective Government Contracting Agencies shortly after V-J Day, August 14, 1945. Final settlement on most of our war-contracts had been received from the Government by December 31, 1945. The item on the balance sheet entitled Reimbursable Expenditures and Claims on Government Contracts, \$706,962.12, covers war-contract claims still in the process of negotiation on December 31, 1945. Agreements have since been reached on most of the balances due us under this item. At the close of the year all Vendors' Termination Claims on Government Contracts had been settled and paid.

During the year 1945, regular dividends were paid on the 6% Preferred Stocks and dividends aggregating \$1.00 per share were paid on the Common Stock. Net increase in Earned Surplus after all charges and credits, amounted to \$298,759.38.

Since the close of the year, all outstanding Series A, 6% Cumulative Preferred Stock, authorized 1924, has been called for redemption on March 15, 1946, at \$110.00 per share plus accrued dividends. The redemption of these securities will reduce the annual preferred dividend charges by \$92,532.00.

Sometime before the termination of hostilities, we were making plans for the re-establishment of our piano production. As soon as our war-contracts were cancelled, our entire energies were transferred to the rearrangement of our factories and the building up of our piano manufacture.

The increase in the output of our pianos has been restricted by two principal factors, first, the time required to get our manufacturing departments set up, and second, the inadequate supply of many materials. As a result of this situation, we have confined production to date, principally to one style of Acrosonic. We hope, by the latter part of this year, to have the factories running at full production. Until our production more nearly approaches its normal volume, we shall continue our policy of allocating our output to our dealer organization on the basis of pre-war operations.

With the experience gained in the successful handling of the varied situations incident to the war, we feel that we can look forward with confidence, to satisfactory solutions of conversion and peace time problems.

Respectfully submitted,

LUCIEN WULSIN, President

THE BALDWIN COMPANY AND SUBS
CONDENSED CONSOLID
AS OF DECEMBER 31, 194

ASSETS	December 31, 1945	December 31, 1944
Cash in Bank and on Hand.....	\$2,007,155.57	\$1,320,111.99
United States Government Obligations.....	2,439,720.00	1,920,240.00
Accounts Receivable		
Reimbursable Expenditures and Claims on Government Con- tracts.....	706,962.12	1,500,436.47
Vendors' Termination Claims on Government Contracts (Contra)	—0—	403,012.38
Customers' Accounts.....	\$ 431,484.08	\$ 372,195.83
Less: Dealers' Contingent Equities..	149.28	1,252.14
	<u>\$ 431,334.80</u>	<u>\$ 370,943.69</u>
Less: Reserve for Possible Losses.....	99,768.86	84,377.49
	331,565.94	286,566.20
Inventories	\$ 985,868.71	\$1,098,010.27
Less: Provision for Inventory Fluctuations.....	197,501.42	788,367.29
	<u>197,501.42</u>	<u>197,501.42</u>
Total Current Assets.....	\$6,273,770.92	\$6,330,875.89
Plant and Equipment		
Real Estate and Buildings.....	\$ 909,424.86	\$ 909,424.86
Machinery and Equipment.....	1,117,874.86	1,008,052.95
	<u>\$2,027,299.72</u>	<u>\$1,917,477.81</u>
Less: Reserve for Depreciation.....	1,166,564.14	860,735.58
	860,735.58	1,134,984.38
Other Assets.....	40,937.81	63,629.71
Deferred Charges to Future Operations.....	12,274.61	112,287.22
Total Assets.....	<u>\$7,187,718.92</u>	<u>\$7,289,286.25</u>

ANALYSIS OF CONSOLIDATED SURPLUS ACCO

Balances, January 1, 1945.....	
Add:	
Net Profit for Year Ended December 31, 1945.....	\$ 394,60
Net Profit Arising from Settlements Made in 1945 on War Contracts Completed or Terminated in Prior Years	140,08
Deduct:	
Dividends Paid on Preferred Stock.....	\$ 102,21
Dividends Paid on Common Stock.....	133,78
Balances, December 31, 1945.....	

AUDITORS'

To the Stockholders of The Baldwin Company:

We have examined the consolidated balance sheet of THE BALDWIN COMPANY and its subsidiary as of December 31, 1945, and the consolidated statements of income and surplus for the year then ended; have reviewed the accounting procedures and the system of internal control of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures which we considered necessary, which pro-

SUBSIDIARY (The Baldwin Piano Company)
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1945 AND DECEMBER 31, 1944

LIABILITIES AND CAPITAL	December 31, 1945	December 31, 1944
Accounts Payable		
Regular.....	\$ 365,418.11	\$ 550,174.99
Vendors' Termination Claims.....	<u>—0—</u>	<u>403,012.38</u>
	\$ 365,418.11	\$ 953,187.37
Accrued Expenses	80,658.48	56,709.06
Federal Excise Tax	38,118.74	22,557.53
Federal Income Tax	<u>270,000.00</u>	<u>94,000.00</u>
Total Current Liabilities	\$ 754,195.33	\$1,126,453.96
Deferred Credits (Subject to Final Determination)	166,761.02	212,516.25
Reserve for Contingencies	1,124,290.69	1,106,603.54
Capital Stock and Surplus		
Capital Stock:		
6% Cumulative Preferred Stock Authorized 1901-1903, Authorized and Issued 2,327 Shares, Par Value \$100.00 per Share, Less 713 Shares in Treasury	161,400.00	161,400.00
Cumulative Preferred Stock Authorized 1924, Authorized 60,000 Shares, Par Value \$100.00 per Share, Issued 20,000 Shares 6% Series A, Less 4,578 Shares in Treasury.....	1,542,200.00	1,542,200.00
Common Stock, Par Value \$8.00 per Share, Authorized 500,000 Shares, Issued 133,786.6 Shares..	1,070,292.80	1,070,292.80
Surplus:		
Capital	\$ 284,556.37	\$ 284,556.37
Earned	<u>2,084,022.71</u>	<u>1,785,263.33</u>
	2,368,579.08	2,069,819.70
Total Liabilities and Capital	<u>\$7,187,718.92</u>	<u>\$7,289,286.25</u>

ASSETS FOR YEAR ENDED DECEMBER 31, 1945

Total	Capital Surplus	Earned Surplus
\$2,069,819.70	\$ 284,556.37	\$1,785,263.33
57.75		\$ 394,667.75
37.63	534,755.38	140,087.63
	<u>\$ 284,556.37</u>	<u>534,755.38</u>
	\$2,604,575.08	\$2,320,018.71
6.00		\$ 102,216.00
30.00	235,996.00	133,780.00
	<u>\$ 284,556.37</u>	<u>235,996.00</u>
	\$2,368,579.08	\$2,084,022.71

CERTIFICATE

Procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. In our opinion, the accompanying consolidated balance sheet and related statement of consolidated surplus present fairly the position of THE BALDWIN COMPANY and its subsidiary at December 31, 1945, and the result of their consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CINCINNATI, OHIO
March 22, 1946

MURPHY, LANIER & QUINN,
Public Accountants

OFFICERS

Lucien Wulsin.....	President and Treasurer
J. P. Thornton.....	Vice-President
Philip Wyman.....	Vice-President
A. J. Schoenberger.....	Secretary
W. H. Smith.....	Asst. Treasurer
R. F. Coghill.....	Asst. Secretary
Irwin Stumborg.....	Asst. Secretary

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DIRECTORS

Lucien Wulsin Cincinnati	Wm. J. Rielly Cincinnati
J. P. Thornton Cincinnati	Philip Wyman Cincinnati
Geo. W. Lawrence Cincinnati	

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GENERAL OFFICES

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

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SUBSIDIARY COMPANY

The Baldwin Piano Company

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PRINCIPAL SELLING OFFICES

Cincinnati	Chicago	New York	St. Louis
Denver	Louisville	Boston	Kansas City
Pittsburgh			San Francisco

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EXPORT OFFICES

New York	Cincinnati	San Francisco
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PRODUCTS

Baldwin Grand Pianos	
Hamilton Grand and Upright Pianos	Howard Grand and Upright Pianos
Acrosonic Spinnet-Upright Pianos	